GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4048
ANSWERED ON:14.12.2001
BULLION MARKET SCAM
PRABHUNATH SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether attention of the Government has been drawn to the news-item appearing in the Economic Times dated March 24, 2001 captioned `Bank run up Rs.70 crore loss in bullion market default`;

(b) if so, the reaction of the Government thereto;

(c) whether it is further a fact that commercial banks made physical delivery of gold without realisation of proceeds;

(d) if so, the reasons therefor; and

(e) the action, the Government have taken against banks for negligence in the performance of their duties?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b):- Yes, Sir. The Government is concerned about the potential losses of the Banks involved.

(c) & (d):- As per the prevalent practice Banks treat tender of Pay Orders/BankersCheques as tender of cash. When gold traders tendered such instruments, bullion was delivered expecting the proceeds of the instruments. The confidence in these instruments was attributable to the counter parties being banks themselves.

(e):- RBI has advised all the banks authorised to import gold that they should release gold only against full realization of value or proceeds of instruments. FIRs have been lodged with Central Bureau of Investigation, Mumbai/Ahemdabad by the banks against the parties involved. Staff accountability is also being fixed by the banks and suitable action is being taken against those found responsible.